

Sustainable Procurement

Nippon Paint is firmly committed to doing business ethically and responsibly. Sustainable Procurement is the integration of Nippon Paint's ESG principles into our procurement processes and decisions while maximizing shareholder value.

How Shareholder Value Is Maximized » See pages 3-4.

	Our pursuit	Relevant financial information
Sustainable Procurement	Low-cost and sustainable procurement + Reduce environmental and human rights risks	Sales (contribute to new products/new markets) Expenses: Raw materials, shipment Assets: Inventories

Our approach to achieving MSV

We engage our suppliers to ensure the sustainable procurement of products and services through environmentally, socially and economically responsible processes. Nippon Paint has in place the Supplier Code of Conduct 2022 to clarify our global expectations for suppliers in the areas of compliance, environment, social and governance. We will conduct a survey for existing and new suppliers to understand their commitment to the ESG principles set forth in our Supplier Code of Conduct.

Suppliers are our important partners in our ESG journey, and we encourage them to adopt progressive practices that align with our approach to ESG. A sustainability audit for on-site audit is to be developed. This will help to identify areas for improvement in our supply chain.

Governance

As one of the Sustainability Teams, the Sustainable Procurement Team discusses policies and initiatives concerning procurement of each partner company and reports updates to the Co-Presidents. The Co-Presidents will submit reports to the Board of Directors whenever necessary. In this manner, Materiality-related activities of the Sustainable Procurement Team are overseen by the Board of Directors.

Strategy

Our approach to GHG emissions in procurement

The significant contribution of raw materials to our greenhouse gas emissions (Scope 3) is an important issue that we believe needs to be addressed, not just by procurement, but in collaboration with our technical team. We will consider using biomass materials and fuels in response to customer requirements.

Our approach to raw material procurement

Our Group's businesses depend on the supply of a broad range of products and services, such as raw materials, equipment, other materials, and information services. Maintaining and building strategy relationships with key suppliers is essential for the sustainable growth of our businesses.

Enhancing awareness and understanding of sustainable procurement

Our Group has a [Group Procurement Policy](#) that is aligned with our basic approach to business transactions. Our goal is to have all group employees and suppliers understand and comply with this policy.

Japan Group has established Procurement Guidelines, which define the Procurement Policy in more detail and clearly set rules and procedures to be followed by our Group and suppliers for responsible procurement. The guidelines are consistent with major international frameworks and standards for social activities, including frameworks for the respect for human rights.

Engaging suppliers on sustainability

Suppliers are important partners, and we encourage them to align with our approach to ESG. Our global Supplier Code of Conduct 2022 was developed to define our expectations for suppliers on sustainability. The Supplier Code of Conduct covers four main areas: compliance, environment, social and governance. Since then, we have been surveying our suppliers on their level of sustainability globally.

A Supplier Sustainability Questionnaire in 5 languages (English, Chinese, Serbian, Slovenian and Turkish) based on our Supplier Code of Conduct was used for the survey. The survey provides visibility to our supply chain with regards

Key items of the Supplier Code of Conduct

Compliance	Environment	Social	Governance
<ul style="list-style-type: none"> • Legal Compliance • Subcontractor Compliance • Environment, Health and Safety Compliance 	<ul style="list-style-type: none"> • Minimize Impact • Waste Management 	<ul style="list-style-type: none"> • Child Labor • Forced Labor • Discrimination • Working Conditions • Conflict Minerals • Product Safety and Compliance • Safety Training • Freedom of Association 	<ul style="list-style-type: none"> • Anti-Corruption • Gifts and Entertainment • Conflict of Interest • Confidentiality • Record Keeping • Fair Competition • International Trade • Subcontractor ESG Compliance

Sustainable Procurement

to sustainability and identifies areas for improvement. For suppliers who are assessed not to comply with our Supplier Code of Conduct, we will conduct supplier engagement activities for risk improvement.

An ESG component will be developed and incorporated to the supplier audit program to further intensify our sustainability focus. The supplier audit program may include an on-site audit where deemed necessary.

Risk management

The Group conducts supplier risk assessment at each partner company using the questionnaire sheet based on the Code of Conduct. For suppliers who are deemed not to have complied with the criteria, we conduct supplier engagement activities for risk improvement.

NIPSEA Group and Japan Group adopted the Supplier Sustainability Questionnaire to standardize survey methods globally. If nonconformance is found at a supplier site, we discuss and work with the supplier in question on corrective actions to be implemented within a specified period of time.

DuluxGroup manages modern slavery risks throughout its supply chain through its Supplier Procurement Program. The program is designed to accord with standard global supply chain systems and guidance, including International Labour Organization (ILO) conventions, the Ethical Trading Initiative (ETI) base code, ISO 14001 and the SEDEX code, with the aim of identifying and addressing modern slavery risks and maintaining a responsible and transparent supply chain. In addition, DuluxGroup is currently reviewing options for third-party audit providers, to gain further assurance for suppliers deemed to be high risk.

Dunn-Edwards partners with suppliers that share the same values, working together to ensure the supply chain is free from forced labor, child labor, human trafficking and slavery. This effort includes initiatives aimed to clearly articulate our shared expectations and audit for compliance through our Supplier Code of Conduct initiative.

Metrics and targets

Roadmap

	2023	2024	2025
Strengthen internal mindset and enhance understanding of sustainable procurement	<ul style="list-style-type: none"> Explored sustainable projects Established indicators 	<ul style="list-style-type: none"> Support Group Environment, Health, and Safety (EHS) to compile Scope 3 for the NIPSEA group progressively Improve understanding of Scope 3/ ESG among the group's procurement through training Develop supplier ESG audit program with NIPSEA China 	<ul style="list-style-type: none"> Conduct supplier ESG assessment Refine Scope 3 disclosure (raw materials related)
Sustainable procurement actions with suppliers	<ul style="list-style-type: none"> Conducted supplier questionnaire (target 40% by value) 	<ul style="list-style-type: none"> Conducted supplier questionnaire (target 75% by value) Engage suppliers to provide primary data to improve Scope 3 data quality 	<ul style="list-style-type: none"> Conducted supplier questionnaire (target 90% by value)

Performance

The Supplier Sustainability Questionnaire survey started from October 2022, and to date more than 1,181 suppliers have responded in agreement to our Supplier Code of Conduct. These suppliers are deemed approved, representing about 84% of our group's total procurement value.

Our target is to reach more than 90% of procurement value by 2025 and we will continue to work with our suppliers to enhance their engagement.

Results of Supplier Sustainability Questionnaire (2023)*1

	NIPSEA Group	DuluxGroup	Japan Group	Dunn-Edwards	Total*2
Total number of approved suppliers	812	273	272	106	1,181
Ratio to the total procurement value	82%	89%	88%	74%	84%

*1 Exclude Cromology, JUB, NPAE, Alina

*2 The total figure for each partner company is a unique value without double counting